

Information Item

Governmental Relations Committee

Federal Update, June 2002

This item provides a brief update on some of the major issues affecting education occurring at the national level. Because the report was prepared in early May, Commission staff will provide an oral update on any subsequent events at the Commission's meeting.

Presenter: Karl Engelbach.



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Purpose and content of this item

This is a brief update on some of the major issues affecting education occurring at the national level. At the Commission meeting, staff will also provide an oral update on any late-breaking events at the federal level.

Update on federal education appropriations for FY 2003

The annual education appropriations process for FY 2003 (for programs July 1, 2003 to June 30, 2004) has begun in earnest on Capitol Hill. This year, the focus is on the Bush Administration's proposed budget to fund the programs under the recently enacted No Child Left Behind Act.

Under the Administration's education budget proposal, which was approved by the House Budget Committee, the U.S. Department of Education would receive a \$1.4 billion or 2.8% increase over current year funding levels.

In the Senate, the Budget Committee approved a \$6.8 billion increase for the Department of Education (Democrats hold a majority in the Senate, while the House majority is Republican). In addition, two leading Democrats -- Senator Edward Kennedy (D-MA) and Representative George Miller (D-CA) -- have said that a \$10 billion increase is needed next year for Title I programs, teacher training, after school programs, special education, and Pell Grants.

The budget committee funding decisions provide a blueprint from which members of the House and Senate education appropriations subcommittees will work to make final decisions on funding levels for the specific federal education programs.

Gearing up for the No Child Left Behind Act

U.S. Secretary of Education Rod Paige is currently in the middle of a 25-city tour to promote the No Child Left Behind Act, one of the many activities taking place as the Department of Education, as well as states and districts, gear up for the new education law.

As part of the tour, targeted to parents, the Department of Education has unveiled a new toolkit with an interactive CD and guidebooks on *What to Know and Where to Go* that will answer users questions and help parents find additional resources. For more information, visit the USDE website at www.NoChildLeftBehind.gov.

Meanwhile, in Washington, DC, the Department of Education is busy developing regulations and guidelines that explain and clarify the intent of the new law and will help states and districts comply with the new programs. Five regional meetings started May 6 to solicit comments on the

proposed regulations. The draft regulations relating to Title I programs and state testing of student competencies are available review on-line at: http://www.ed.gov/offices/OESE/esea/rulemaking/regulations_assessment.pdf. In addition, key Education Department leaders have testified before members of the Senate and House Education Subcommittees on the implementation of No Child Left Behind.

Several excellent resources on the new law are available on the Internet. One is the publication from the Education Commission of the States titled, "No State Left Behind - The Challenges and Opportunities of ESEA 2001." The ECS report for state leaders summarizes the new law, and looks at where states stand with regard to the law's new requirements. It can be found on-line at www.ecs.org/ecs/ESEA2001.

**NCSL report says
up to one-third of
states may cut
education budgets**

The rainy-day economy has caused a potential \$27 billion shortfall in the current fiscal year, forcing at least 40 states to enact or consider budget cuts, according to a new report released in mid-April by the National Conference of State Legislatures (NCSL).

State budget shortfalls have been deep and widespread, according to NCSL's April edition of its [State Fiscal Update](#). Six states reported budget gaps for the current fiscal year in excess of 10% with another 17 states reporting gaps of higher than 5%. The bulk of the fiscal year 2002 problems are on the revenue side of the ledger, the report found.

Thirty-three states report that spending exceeded budget levels during the course of the current fiscal year. More than half the states are experiencing Medicaid cost overruns. The new NCSL report identifies up to 17 states that have or may cut K-12 education funding this year, typically one of the last programs to undergo state budget cutting efforts.

Many other programs are likely to be affected as well. Higher education is being looked at for cuts in 29 states, 25 are considering reductions in corrections expenditures, and 22 are looking at reducing Medicaid costs. More than half the states are likely to tap rainy day funds to plug budget holes and 10 states may lay off state employees. States also are considering delaying capital projects, expanding gaming revenues, raising taxes or boosting fees to meet budget shortfalls.

And the picture for the next fiscal year varies. Most states don't expect much to change for the fiscal year that begins July 1. Four states predict that FY 2003 funds will be lower than current year revenues and four expect revenue growth to be less than a percentage point. Still, 10 states expect revenue growth above 5% since current revenues are so low.

<hr/> House begins hearings on Individuals with Disabilities Education Act (IDEA)	<p>The House Committee on Education and the Workforce's Subcommittee on Education Reform began the first in a series of hearings on the reform and reauthorization of Individuals with Disabilities Education Act (IDEA). House Republicans hope to complete reauthorization of the act this year and will be focusing on these aspects of IDEA: funding, accountability and education quality, reducing the paperwork burden, supporting special education teachers, over identification and misidentification of minority youth, encouraging innovative approaches and parental involvement, and discipline.</p>
<hr/> White House backs down on changing student loan interest rate	<p>During the final week in April, White House Budget Director Mitchell Daniels suggested to House Speaker Dennis Hastert (R-IL) that \$5.2 billion of the proposed \$27.1 billion counter-terrorism budget could come from cuts in federal student loans and other programs. He suggested offering consolidated loans at variable rates, rather than fixed rates. The federal government began the loan consolidation program in 1986 and under the current program, the interest rate is capped at 8.25% a year.</p> <p>Critics of the plan say that this move would force higher long-range costs on student borrowers, while benefiting lenders. Moreover, congressional Democrats, some Republicans, and students contend that the plan would raise interest rates for the estimated 700,000 borrowers who consolidate or refinance their federal student loan debt each year.</p> <p>The national higher education associations have urged Congress to oppose changing the interest rate on student loans from a fixed rate to a variable rate in order to generate savings. On May 1, the Administration backed down on its plan to change the interest rate after significant pressure from Congress and the higher education community.</p>
<hr/> New report shows college tuition increases related to many factors	<p>A report released in February by the National Center for Education Statistics (NCES) shows that changes over time in tuition and fees -- the "sticker price" that colleges charge and the costs that colleges incur to educate students -- are related in only limited ways, and that there are a number of other factors that have been causing the continued tuition increases at public and private institutions over and above inflation. "This report suggests," said Under Secretary Eugene W. Hickok, "that the relationship between college costs and prices is complex, and it is an issue that requires further study. The Education Department must continue gathering data so that policymakers may make informed decisions in their efforts to monitor college prices and provide financial assistance to help American families from all financial backgrounds afford a college education."</p> <p>Mandated by Congress, <i>The Study of College Costs and Prices, 1988-89 to 1997-98</i> used data from the Integrated Postsecondary Education Data System (IPEDS) to examine two main issues: the relationship between college prices (tuition the family and student pay) and costs (what the in-</p>

stitution spends), and the relationship of federal and institutional aid to price increases.

Overall, from 1988-89 through 1997-98, tuition charges in both the public and private sectors rose faster than inflation. The study found that tuition increases at private institutions were related to factors such as providing more institutional financial aid to students and increases in faculty salaries, along with decreases in endowment revenue and private gifts. In contrast, at public four-year institutions, a decline in state appropriations was the single most important factor associated with increases in tuition. In addition, states with higher per capita income and higher tuition at public institutions had higher private not-for-profit four-year college tuitions.

Given the limitations of the study, it could not fully address the relationship between tuition charges and increases in student financial aid. However, the study did find that increases in institutional aid were related to increases in tuition at some small public and private four-year colleges.

This study is a follow-up report to the 1998 study *Straight Talk About College Costs and Prices* by the National Commission on the Cost of Higher Education. The full text of this report is available on-line and may be accessed at <http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2002157>.

**College Board
considers essay,
other changes to
SAT**

As the value of the SAT continues to be questioned, the College Board is considering several changes to its standardized test. According to board officials, a general consensus of what modifications should take place seems to have risen, including the addition of an essay, eliminating the verbal analogy and increasing the difficulty of the math section. Some at the College Board have expressed concern that a writing section would cause the cost of the test to rise up to \$7 because of the additional test scorers needed. The board plans to vote on the SAT overhaul on June 27, 2002.

**Report suggests
grim outlook for
higher education
access**

In a report released in May 1 by Congressional Democrats on the House Education and Workforce Committee and the Senate Committee on Health, Education, Labor and Pensions, findings show that the state budget crisis has advanced the disparity between the cost of college and the amount of state and federal aid available to students. The report, *Slamming Shut the Doors to College: The State Budget Crisis and Higher Education*, highlights the fact that states have already cut or proposed to cut \$5.5 billion in state higher education funding, following a total deficit greater than \$40 billion, nationwide. As a result of these cuts, the report estimates that approximately 110,000 students could be unable to afford college next fall. The report can be found on-line at <http://edworkforce.house.gov/democrats/higheredreport.pdf>.

A second report, *Losing Ground*, also released on May 1 by the National Center for Public Policy and Higher Education details the impact of rising

tuition and budget cuts on student access, as well as the eroding purchasing power of grant programs and other factors. It can be accessed on-line at http://www.highereducation.org/reports/losing_ground/ar.shtml.

**Enhanced Border
Security and Visa
Entry Reform Act
Of 2001**

H.R 3525, *Enhanced Border Security and Visa Entry Reform Act of 2001*, was considered by the full Senate and approved by a 97-0 vote. It is almost identical to the original version of the bill approved by the House in December 2001. H.R. 3525 will be returned to the House, where members are expected to clear it quickly. President Bush said he would sign it.

This legislation contains new provisions that would serve to close the information gaps that now exist among the parties who must share critical and timely information. One new requirement for higher education institutions was added requiring institutions to notify the Immigration and Naturalization Service (INS) if a student accepted for admission did not show up within 30 days of the deadline for registering for classes.

Federal officials would be required to record the date: (1) a foreign student is accepted to an approved educational institution or exchange-visitor program, (2) a student visa is issued, (3) a person enters the United States and the port of entry, (4) a college or exchange-visitor program is notified that the student has entered the country, (5) a student enrolls at the college or begins the program, the student's degree program and field of study, and (6) a student graduates or leaves the institution or exchange program for another reason. The legislation also creates and mandates new background checks for people from seven countries that the U.S. Department of State says sponsor terrorism. Nearly 3,800 students from Cuba, Iran, Iraq, Libya, North Korea, Sudan, and Syria attended American colleges in 2000-01.

With these new security provisions for background checks and intensified monitoring come the expectation that some delay should be anticipated by institutional officials in the flow of foreign students registering at their institutions. The uncertainty in student registrations due to additional scrutiny may cause delays of 30 to 45 days or, if the system encounters start up problems, longer. To shorten any admission process, many institutions plan to send I-20 forms to accepted students as early as possible to reduce the anticipated delay in issuance of student visas.

Further, the bill tightened the system for monitoring student visas by requiring the Immigration and Naturalization Service Commissioner, the Secretary of Education, and the Secretary of State to conduct reviews every two years of all 74,000 American institutions that are allowed to issue I-20 forms to foreign students. Failure to report students who do not attend classes and failure to comply with the student visa record keeping and reporting requirements may cause institutions to lose the right to accept foreign students. It is believed that at least one of the September

11th airline hijackers entered the United States on a student visa but never reported for classes.

While this legislation eliminates some dangerous shortcomings in the monitoring and tracking of international students, it does not address an issue that affects higher education institutions who will be responsible for collecting the fees that will pay for the operational costs of the computerized tracking system. Several higher education associations solidly support the need for such a system and all have pledged to work cooperatively with the INS and other agencies to insure effective implementation of a system. It is optimistic to expect that this system for monitoring the movement of foreign students will be online by its target date in January 1, 2003. A later implementation date is much more realistic.

At the end of April, representatives of various higher education associations meet with officials from the Office of Management and Budget and other agencies with jurisdiction in this area to ask that the U.S. Department of State perform the fee collection requirement. The Office of Science and Technology Policy (OSTP) and the INS support the proposal for the U.S. State Department to collect the fee. The State Department has, thus far, refused to undertake that responsibility. This may leave higher education institutions as the collection agency by default. If so, colleges and universities will have to work to ensure that this component of new national security obligations will be handled well.
